China's Impact on Latin American Development: A Comparative Study of Bolivia and Venezuela

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Abstract: This analysis compares Bolivia's and Venezuela's recent development path and China's impact on it. The two country cases have been chosen due to the fact that they have experienced quite different economic development paths since the international financial crisis in 2008-2009, although they have pursued largely similar economic development strategies and foreign policy strategies. Bolivia has done much better than Venezuela that is now experiencing a chaotic social and economic situation with high levels of inflation and finances out of control. In contrast, Bolivia maintains stable growth figures of between four and five percent and is one of just a small select group of South American commodity exporting countries that is able to pursue counter-cyclical macroeconomic policies. The analysis further argues that China's significance was negligible at the turn of the Century and had become somewhat more significant for Venezuela by 2009, while it was still rather insignificant for Bolivia. Since then, China's significance has grown, particularly in Venezuela that has needed much foreign financing and had been frozen out of international financial markets. However, China has also grown in significance for Bolivia and mostly has had a positive, though, not big impact on its development. In contrast, China's impact on Venezuela has been bigger and mostly positive, but it has not sufficed to end Venezuela's current development crisis.

Keywords: China, Venezuela, Bolivia, Impact, Relations.

Introduction

The object of analysis of this article is two-fold. It seeks to analyze and explain the recent economic development paths of Bolivia and Venezuela and China as an intervenient variable. How has China's impact on their development paths been?

Historically, China has not been particularly important to Latin American development, nor has Latin America been seen as important from a Chinese perspective (Armony, 2011: 24). In 1995 trade with China made up just 1 % of Latin America's total trade, but by 2009 the share had grown to 20.38 percent (Dussel Peters, 2011: 95). After the international financial crisis, China's significance for the region increased even further as mutual trade increased, and as China became a major lender and investor in the region (OECD/ECLAC/CAF, 2015: 149-155) as well as an increasingly important competitor in own and third markets for Latin American manufacturing sectors.

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China's economic development and re-engagement with the global economy since the late 1970s has made China increasingly important for all world regions. Africa and Latin America are both significant in China's search for energy and other natural resources in its development process, and China provides commodity exporting countries in these two world regions with an alternative economic partner to the dominant Western powers, thereby reducing their dependence on traditional economic partners. Similarly, China has come to have a major impact on Asian economies (Breslin, 2007: 138-139). China's relationship with Europe and the United States is vast and largely revolves around its growing role as a major hub for manufacturing production and global exports of manufacturing products, as China has received enormous foreign direct investments from the developed countries. In this respect, China can be seen as a threat to particularly semi-peripheral countries due to the competitive pressure these countries face from competition in own and third markets in the manufacturing sector (Li Xing and Christensen, 2012). At the same time, the "boom" in commodity prices in much of the decade of the 2000s created opportunities and development for many peripheral and semi-peripheral commodity exporting countries.

In the analysis of the development paths of Bolivia and Venezuela, I focus on their own development policies, the growing significance of China as well as changes in the global economic and political context. The emphasis is on the period from around year 2000 where China's growing significance for Latin American development became increasingly clear.

The focus on Bolivian and Venezuelan development and China's impact on it is interesting for two main reasons. Firstly, due to the scholarly debates on how to understand China's impact on Latin American development and, secondly, because the two countries share a number of significant characteristics and are usually seen as being part of the same category by analysts of recent Latin American development. It should be noted, though, that their development paths have differed substantially, and Venezuela has by far outperformed Bolivian development for much of the 20th Century. After the turn to the political left and the rejection of neo-liberalism in Venezuela with the election of Hugo Chávez as president in 1998 and the election of Evo Morales in Bolivia in 2005, the two countries have been pursuing similar economic policies and similar foreign policies, and they have been led by governments of similar ideological orientations, though significant differences are also present. In fact, Bolivia and Venezuela are usually grouped with Ecuador as a group of countries which pursue socialist or populist development strategies largely financed by key

mineral extractive sectors (Stefanoni, 2012; Madrid, 2010; Weyland, 2009). These countries have pursued close ties and allied themselves with China against the traditional regional hegemon, the United States and its allies.

In spite of the significant similarities in the development models and strategies of the two countries, their development results have been quite dissimilar from the outbreak of the international financial crisis in 2008. In 2014, Bolivia achieved the third highest growth figure in Latin America of 5.5 % of GDP, while Venezuela was the worst performer with negative growth of 4.0 %. Economic growth results were even more dissimilar in 2015 (ECLAC, 2015: 59), and at the time of writing (July 2016), Venezuela is in a deep crisis while Bolivia's economy still seems stable.

This makes it interesting to compare the development paths of Bolivia and Venezuela during the recent past and to consider China's economic impact on their development. The article takes a chronological approach. First it analyzes the historical background prior to the 21st Century. The focus of the analysis is the period from the turn of the 21st Century to 2016 which is divided up in two sub-periods with the financial crisis in 2008 as a division point.

Methodological Approach

A broad approach is required as the analysis seeks to explain the recent economic development of Bolivia and Venezuela as well as to consider China's impact on their economic development.

In a study on China's and India's developmental impact on developing countries, Deepak Nayaar (2008) argued that it is methodologically difficult to prove such an impact, but that it is nevertheless possible to develop a coherent argument that China and India do have such an impact. His focus was on the competitive pressure posed by China and India on other developing countries in the manufacturing sector. According to Li Minqi, China's competitive pressure in the manufacturing sector would particularly provoke the peripherization of semi-peripheral countries (Christensen and Li Xing, 2012: 32-33). Jenkins recently attempted to explain the "China effect" on Latin American development (Jenkins 2013 in Perrotti, 2015: 49) by considering how China's growing import of natural resources between 2002 and 2007 affected their international market prices. Jenkins' approach and Nayaar's methodological arguments serve as an inspiration for the argument developed here. China's economic impact is not restricted to trade. As China has increasingly become a capital exporting country, Chinese lending and Chinese foreign direct investment is therefore

increasingly relevant, as well. At the same time, analyzing national economic development paths also requires a focus on the contribution of domestic development policies and other relevant economic and political factors at the national level.

The approach taken here is historical and within the tradition of international political economy. It emphasizes the significance of economic structure and its historical unfolding. In doing so, it builds on the school of Latin American historical structuralism and Immanuel Wallerstein's related world system analysis perspective (see Christensen and Bernal-Meza, 2014). As in the dependency theory of Fernando Henrique Cardoso and Enzo Faletto (1979: 15), such an approach combines analysis of the global context with national development characteristics where economic and political processes interact and jointly produce development outcomes. As in the perspective of Cardoso and Faletto (1979: XIV-XV and 13), it is assumed that the international or global context is significant for development outcomes in individual countries. However, impact on national economic development and development strategy does not occur automatically. It is filtered through characteristics and economic and political dynamics at the national level.

Historical Background Analysis

In 1958, the military overthrew Venezuela's authoritarian government, paving the way for democratic elections. This introduced a relatively stable political and economic period of progress until the 1980s. Between 1958 and 1998, Venezuela was governed by two parties, the social democratic Democratic Action Party (AD) and the moderate conservative party COPEI (Buxton, 2009). AD came to power in the 1958 elections and introduced a national development strategy focused on industrialization, land reform and broad popular inclusion. The idea was to reduce the strong predominance of mineral exports and production, particularly revolving around oil. Also policies of progressive income distribution, tax reform, increases in oil revenues on the part of the state and introduction of social reforms in the areas of housing, education and health care provision were pursued (Wynia, 1990: 178-192). Growing government revenue from oil financed this and created a situation of broad consensus and legitimacy and political stability (Buxton, 2009: 151). After the hike in international oil prices in 1973, the Venezuelan government introduced a policy of nationalization of oil in 1976 and nationalization of iron resources in 1975, and the government developed a new strategy aimed at deepening industrialization through investments in heavy industry and support for untraditional exports (not only natural

resources) and redistribution of income. This subsequently led to a rise in the domestic market (Sonntag, 1990: 294). In short, the government used oil rents to diversify the economy and assure higher living standards. However, the national currency was overvalued. This made imports cheap and led to high concentration in oil exports, while agriculture did poorly and created a need for basic food imports and contributed to migration from the countryside to the cities (Buxton, 2009: 153). The urban working class and industrial enterprises tied to the public sector and state-owned companies gained from this path. However, in late 1981, oil prices fell drastically and Venezuela was hit by a deep economic and financial crisis. Falling oil revenues led to devaluation in 1983 hurting particularly popular groups (Ibid.: 154). The governments between 1981 and 1989 were unsuccessful in fighting the economic crisis that ensued, while the foreign debt continued rising. In an attempt to adjust to growing financial and external economic constraints, the new AD government in 1989 agreed in a letter of intent at the International Monetary Fund to harsh fiscal measures. The policies pursued by the government and issues of corruption, however, led to urban protests, the so-called "Caracazo", which was repressed violently (Sonntag, 1990: 298 and 306). By 1989 poverty had risen to 58.9 percent (Buxton, 2009: 155).

Like Venezuela, Bolivia's development model in the middle of the 20th Century was centered on mineral production and exports, particularly tin, but later also oil. Bolivia was an extremely poor and rural country. Eighty percent of the population lived in the countryside. Land was distributed extremely unequally and owners of the mines mostly lived outside the country. This situation led to a revolt in 1952, known as the "Bolivian revolution" (Ianni, 1973 [1972]: 102). The revolution was led by the Revolutionary National Movement party (the MNR) and was supported by mine workers and rural workers and their unions (Petras and Veltmeyer, 2005) and people from the middle classes (Di Tella, 1990: 108). The new MNR government introduced a new development strategy, which much like in the case of Venezuela, focused on a state-led strategy of diversification through industrialization, nationalizations of strategic resources as well as rising public investments aimed at assuring rising living standards, job creation, higher wages and social benefits (Auty and Evia, 2001: 182-186).

Like Venezuela, Bolivia was affected by the foreign debt crisis. It experienced a worsening trend in its terms of trade in the 1980s. As a consequence, export earnings plummeted between 1980 and 1987 (Gamarra, 1994: 104), provoking economic instability and a crisis of the manufacturing sector (Madrid, 2010-11: 600).

Bolivia introduced "market-oriented" neo-liberal reform policies from the mid-1980s through adjustment and stabilization policies supported by creditor countries and the International Monetary Fund and the World Bank. In 1985, a coalition government led by the MNR, which had introduced structural reforms after the 1952 "revolution", oversaw a major reversion of the development strategy. In 1985, its "Pact for Democracy" introduced cuts in public employment, deep cuts in state subsidies and the freezing of wages (Gamarra, 1994: 205) and trade tariff cuts, and in 1990 a new government deepened the neo-liberal direction with the so-called "Patriotic Agreement" that opened Bolivia up further to foreign investments, also in the strategically important sectors of mining and energy. The government also introduced a new policy guaranteeing investor rights that aimed at attracting foreign investors (Morales, 1994: 136-142).

In Venezuela's case, reform policies and deteriorating living standards led to socio-political instability epitomized by the "Caracazo" in 1989. The social democratic AD government 1989-1993, headed by Carlos Andrés Perés as well as the Bolivian center-left governments in the 1990s and many other center-left governments in Latin America at the time, pursued market-oriented neoliberal policies in an attempt to adjust to the situation provoked by the foreign debt crisis (Madrid, 2010-11: 596). In Venezuela, these policies and the negative development experienced provoked a major fall in the support for AD and COPEI in the 1993 presidential elections, where they reaped a mere combined share of 46 percent of the vote. The new government of 1993 was unsuccessful in getting the economy under control and oversaw a period of low economic growth, growing unemployment and strict adjustment policies. By 1996, 77.1 percent of households lived in poverty and the Venezuelan government privatized parts of the state-owned oil company PDVSA (Buxton, 2009: 157). Popular sentiment was turning strongly against the established political system dominated by AD and COPEI, and led to a landslide victory that brought Hugo Chávez to power in 1998 as the leader of the recently formed party of the Fifth Republic Movement (Madrid, 2010: 601-602). Chávez defended deep changes in the country based on his idea of a "Bolivarian Revolution", an ideological construct that included many elements such as the principles of cooperation and solidarity, pro-poor development and state control of PDVSA and a change in an economic order dominated by elites. Bolivarianism also had an international component that stressed the defense of sovereignty (Buxton, 2009: 156-160; Bernal-Meza, 2009: 139-141).

Bolivia followed a similar path pursuing neoliberal policies in the 1990s privatizing state companies even in the area of strategic natural resources through the policy of "capitalization". This paved the way for Bolivia's inclusion in the process of foreign debt renegotiation under the HIPC initiative, i.e. the Heavily Indebted Poor Countries initiative (Petras and Veltmeyer, 2005: 185). Bolivia was somewhat more successful than Venezuela with the neoliberal orientation assuring the country annual per capita growth of 1.53 percent between 1990 and 1999 (World Bank, 2004: 4), but was still a very poor country. In the late 1990s, Bolivia faced adverse terms of trade and entered a period of stagnation. This led to increasing political and popular pressure against the government and its neoliberal economic policies. In 2005 this led to the election of Evo Morales from the newly formed party "Movement towards Socialism", or MAS, on an anti-neoliberal platform (Wolff, 2011: 4).

There are thus major similarities in the development paths experienced by Bolivia and Venezuela and in both countries new political parties ended up winning elections on anti-neoliberal platforms.

China had been a rather insignificant partner for both of the countries until the turn of the Century. It was only the 37th biggest export destination for Venezuela in year 2000, while it ranked 18th in Venezuelan imports. China was Bolivia's 18th biggest export destination and ranked 7th in its imports (Dussel Peters, 2011: 94). China was insignificant as an investor and as a lender in both countries.

Bolivia and Venezuela's Development and China's Impact until 2008

Venezuela was the first of the two countries to pursue a turn away from neo-liberal economic policies and towards more nationalist state-oriented strategies inspired by socialist ideology and foreign policies at odds with US interests. In the elections of 1998, Hugo Chávez and his newly formed party, the PSUV, were up against a candidate with an electoral platform based on shock therapy and decentralization. Chávez' electoral platform promised deep changes through a "Bolivarian Revolution" that would re-found the nation and create a new development model based on the "Bolivarian" principles of cooperation, solidarity and justice (Buxton, 2009: 150 and 157). In 1999, the government managed to get a new constitution in place through a referendum. The constitution underlined Venezuela's sovereignty over the strategic oil sector and gave a number of social rights to the population (Ibid.: 164).

From the outset, the government introduced higher taxes on private companies in the oil sector, and in late 2001, the Hydrocarbon Organic Law was passed as well as an agrarian

reform. According to the Hydrocarbon Organic Law, the state should have majority ownership in all strategic agreements with private actors in the oil sector (Giacalone and Briceño Ruiz, 2013: 79-80). These policies sought to assure greater state control with the oil sector and to increase government revenue and thus the means to make good on the promise to pursue pro-poor social reforms. These policies countered the interests of economic elites and foreign companies in the oil sector and were a break with the neoliberal "market-oriented" policies that had defended those interests.

In its foreign policy, the government aimed at promoting cooperation with other oil-producing countries in the Organization of Petroleum Producing Countries (OPEC) as well as with non-traditional partners, such as China, with the aim of promoting a multipolar world and defend the interests of oil producing countries. Chávez believed that unstable oil prices were a reflection of the lack of political cooperation between oil producing countries, and thus saw a political alliance amongst oil producers as a key to maximizing Venezuela's oil revenues (Buxton, 2009: 159-160). Chávez also defended the idea of a re-founded, independent and integrated Latin America based on the power of the peoples and the Bolivarian principles of solidarity and justice as opposed to the "oligarchic" and elite-dominated situation prevailing in the region (Bernal-Meza, 2009: 140-141).

In October 1999, Chávez visited China. A number of oil exploration and exploitation agreements were made between 1999 and 2005. In 2001, the first joint venture was established between the state-owned Chinese oil enterprise China National Petroleum Corporation and PDVSA, and in that same year the two countries created a strategic alliance and established a High Level Commission that was to coordinate bilateral relations between them (Giacalone and Briceño Ruiz, 2013: 81-85). According to Giacalone and Briceño Ruiz (2013: 77), the Venezuelan government saw the Chinese-Venezuelan cooperation in the oil sector as a way for Venezuela to gain independence from U.S. companies that had held a strong position in the oil sector historically.

The ideological orientation and the policies implemented by the Chávez government led to confrontation between the government and the political opposition and established elite interests that were affected negatively by government policies. In April 2002 this led to a coup that deposed Hugo Chávez from power. However, massive popular pro-Chávez protests led to his quick return to power. In late 2002 and early 2003, employees of the state oil company PDVSA and oil unions promoted an oil strike against the government and its policies (Stefanoni, 2012: 56). The government reacted by taking control of the company and

fired 17,000 workers (Buxton, 2009: 162). Continued low oil prices, the fall in oil production caused by the strikes, and the unstable political and economic conditions led to a major economic downturn in 2002 and 2003. Faced with growing poverty figures and economic recession as well as a recall referendum on the continuity of Chávez as president to be held in 2004, the Chávez government introduced massive social policies, the so-called "missions" in education, housing and health with cooperation from the Cuban President Fidel Castro (Stefanoni, 2012: 56). Together they set up a kind of barter arrangement where Venezuela supplied Cuba with oil in exchange for Cuban doctors for the health missions in Venezuela (Pérez Flores, 2006: 4). In 2004, the government set up *Misión Mercal* that established thousands of "subsidized food cooperatives and popular markets" as part of the government's pro-poor orientation (Buxton, 2009: 167). As oil prices started to rise in the middle of 2003, external conditions for Venezuelan development started to improve and really took off until 2008. Venezuela experienced strong effects on production, consumption, job creation and rising real wages. This led to economic growth averaging 11.8 % between 2004 and 2007 (ECLAC, 2008). This helped Chávez to comfortably stand the test of the recall referendum in August 2004. The political opposition withdrew their candidates in the legislative elections of November 2005 in order to delegitimize the government. This did not work out as planned for the opposition, as the elections were characterized as having been free and fair by foreign election observers. As a consequence, the Chávez government came to control parliament completely (Pérez Flores, 2006: 5). After the recall referendum in 2004, the Chávez government radicalized the orientation of "Bolivarianism" stating that its aim was to promote a radical transformation of the Venezuelan development model through what it called "21st Century Socialism" (Buxton, 2009: 167). Venezuela's strengthened financial situation and the legitimacy from the 2004 recall referendum paved the way for this radicalization of the government's strategy.

On the international political front, Venezuela together with Cuba set up an anti-hegemonic and anti-colonial initiative of integration, the Bolivarian Alternative for the Americas (ALBA), a solidarity-based scheme that opposed the neo-liberal market-oriented initiative for regional integration in the Western Hemisphere defended by the United States, namely the Free Trade Area of the Americas (FTAA) (Bernal-Meza, 2009: 139-140). Thus, the Chávez government pursued a confrontational strategy against its opponents on the international political scene as it did against the domestic political opposition in Venezuela. In his electoral platform for the 2006 presidential elections, Chávez defended the deepening of

the anti-neoliberal orientation of his government, proposing a process of nationalizations in strategic economic sectors, and he renamed his party the Unified Socialist Party of Venezuela (PSUV). PSUV and Chávez won the elections with more than 62 % of the vote in December 2006 (Pérez Flores, 2006: 1-2), and initialized the process of nationalizations. It set up a referendum on constitutional revision in November 2007. The aim of the government was to pave the way for the introduction of a socialist economic model, executive control of reserves and "elimination of term limits for presidential reelection" (Buxton, 2009: 169-170). The electorate narrowly voted the constitutional reform initiative down, but the government went ahead introducing economic reforms through an "enabling law" in early 2008 supported by the *Chavista* controlled National Assembly (Giacalone and Briceño Ruiz, 2013: 80).

Nationalizations were carried out in a range of economic sectors deemed of strategic importance including telecommunications, electricity, steel, cement and oil. In May 2007,

> the last remaining oil area open to foreign companies -the Orinoco Belt- had been nationalized, and the government established that there should be a 60 % minimum share of state property and the transfer of all operations to PDVSA (Giacalone and Briceño Ruiz, 2013: 80).

The same policy was applied to the cement sector in 2008 (ECLAC, 2008: 114).

Oil prices kept rising throughout this period and until the international financial crisis in 2008, thus providing a permissive global economic context for the economic reform process, although Venezuelan oil production fell from 3.3 million barrels per day in 1997 to 2.6 million barrels per day in early 2006 (Pérez Flores, 2006: 10) due to underinvestment in drilling (Buxton, 2009: 171) and problems related to the mass firings of personnel in 2003. Nevertheless, the high oil prices meant that Venezuela's export receipts grew substantially year after year. However, in an environment of an overvalued national currency and strong state intervention in the economy, shortages in the production of food crops became particularly severe in 2007. This led the government to pursue a policy of export restraint within the agricultural sector in order to secure food for national consumption (Stefanoni, 2012: 57; Giacalone and Briceño Ruiz, 2013: 79), contributing to the gradual rise in the share of oil exports in total export receipts, although Venezuelan oil output fell by 4.2 percent in 2007 (ECLAC, 2008: 113).

In this context, Venezuela's cooperative relationship to China in the oil sector grew in intensity and significance. New joint ventures were celebrated in 2004 and in 2006, and in 2007 an "oil for credits" deal of 6 billion US $ was signed between the Chinese state-owned oil giant CNPC and the Venezuelan state-owned oil giant PDVSA in cooperation with the Chinese Development Bank (CDB) and the Venezuelan Development Bank (BANDES). This agreement provided Chinese financing as well as a commitment by the Chinese to develop projects with Venezuela in the oil sector (Giacalone and Briceño Ruiz, 2013: 85-87). The Venezuelan government saw the Chinese-Venezuelan cooperation in the oil sector as a way for Venezuela to gain independence from U.S. companies that had held a strong position in the oil sector prior to the Chávez government. Thus, the Venezuelan government took advantage of China's interest in collaboration with commodity exporting countries and, arguably, China's financing and provision of technological capacity to Venezuela helped create space for Venezuela's policy of nationalization. From the Chinese perspective, cooperation was a way to secure access to needed oil imports but also to support Chinese companies in the oil sector as well as in other sectors as the "oil for credits" agreements "specified that borrowers must buy goods and services from Chinese companies" (Giacalone and Briceño Ruiz, 2013: 77). As a consequence of the growing economic interaction, China had become Venezuela's third largest export destination by 2009 and the fourth biggest provider of imports (Dussel Peters, 2011: 94).

In early 2008, economic growth de-accelerated in spite of an impressive rise in oil prices. The current account surplus surged even more than in 2006 and 2007, where Venezuela had achieved enormous current account surpluses of US $ 27 billion and US $ 20 billion, respectively (ECLAC, 2008: 113 and 119). In spite of these surpluses, Venezuela's external debt rose to almost US $ 53 billion "on account of the increase in commercial credits, loans and other debt instruments in the public sector" along with a growing foreign debt of the private sector. However, as a percentage of GDP total external debt fell from 33 percent in 2005 to 23.1 percent in 2007 (ECLAC, 2008: 119). At the same time, Venezuela built up reserves in the central bank that reached its highest level in 2008 where it stood at US $ 43,127 billion (ECLAC, 2015: 75) assuring a relatively strong financial position to Venezuela. However, falling oil prices in the last part of 2008 complicated the situation for the government as GDP growth was further reduced in the second semester of 2008.

We now turn to the analysis of Bolivia, where the neo-liberal model and development strategy came under increasing pressure in Bolivia between the years 2000 and 2005 (Wolff, 2011: 4). The negative global context of instability in international financial markets in 1998 and 1999 (World Bank, 2004: 2) and a negative trend in its "terms of trade" of Bolivia provoked negative economic growth in 1999 and economic stagnation between 2000 and 2003 (ECLAC, 2005: 357). This led to a significant rise in unemployment and to a rise in informal sector jobs (Ibid.: 370). As in the case of the Venezuelan elections in 1993 and 1998, Bolivia's elections in 2002 saw the traditionally dominating parties lose support. However, the so-called "Mega-coalition" narrowly beat the newly formed Movement Towards Socialism party (MAS) headed by Evo Morales, an indigenous leader of the coca growers' union of the Chaparé region (Petras and Veltmeyer, 2005: 191).

The political protest movement gained in strength in the period after the elections, focusing on dissatisfaction with rising taxes, opposition to the government's handling of the policy towards the gas sector, the dominant sector in the Bolivian economy, as well as support for the ousting of President Sánchez de Lozada, who was in fact ousted from the presidency in 2003. Evo Morales and MAS argued that Bolivia should take control of its natural resources and pursue a political line of self-determination (Wolff, 2011: 3) and criticized the United States and the neoliberal development model. He further argued that Bolivia needed a political re-foundation through a constitutional reform process that should include the indigenous population further in the political process (Wolff, 2011). The rhetoric and political agenda of Evo Morales and the MAS party paralleled that of Hugo Chávez' government in Venezuela in terms of its nationalist orientation, social agenda, anti-imperialist views and aim of making the state more central to the economy.

Based on this electoral platform, Evo Morales and MAS won the 2005 presidential elections with an absolute majority of 54 percent. The new government's first diplomatic contacts were with Cuban President Fidel Castro and Venezuelan President Hugo Chávez, the architects of the "Bolivarian", anti-neoliberal regional cooperation project ALBA, which Bolivia joined. After this, Morales travelled to Beijing around one week into his presidency. Here he spoke to the Chinese president, calling the Chinese government a political and ideological ally of the Bolivian People (Christensen, 2006). As newly elected president, Morales furthermore "*called President George W. Bush a terrorist*" and created a government with people close to indigenous and social movements who were critical of neoliberalism (Wolff, 2011: 8). In 2008, the already poor relations with the US government turned into an

open crisis as the Bolivian government expelled the US ambassador and later also the US Drug Enforcement Agency. In response, the US cut trade preferences formerly given to Bolivia (Ibid.: 9), which had been important in assuring a diversification of Bolivian exports in the manufacturing sector (Sakho and Calvo-Gonzalez, 2008).

The government went ahead with a number of reforms promised during Morales' campaign, such as the nationalization of gas, a constitutional reform process and a range of social policies and policies aimed at giving the state a more prominent and active role in the economy.

On May 1, 2006, the government went ahead with the plan of nationalizing the energy sector. As in Venezuela's case, the nationalization was not carried out through outright confiscation of property but mainly consisted of increasing taxation and royalties from 50 percent to 82 percent for big foreign companies. Smaller companies were to renegotiate their contracts with the state by October 28, 2006. This was achieved in practice. The plan was also that the state should take over majority ownership of companies. Morales argued in an interview, at the time of the renegotiation of contracts in the energy sector, that Bolivia had changed the neoliberal order assuring greater revenues for the Bolivian state without confiscation of foreign companies (Christensen, 2006). Critics of the Bolivian government on the political left were not satisfied. They believed that the government was taking a non-confrontational stance towards foreign investors. Similarly, they criticized the policies of land reform for being too timid due to a non-confrontational stance towards agrarian elites. In their view, the government's approach did not offer a real alternative to neoliberalism (Petras, 2006). The government further nationalized companies in the electricity sector and in communications and created new state companies in other sectors in its promotion of a state-led economy (World Bank, 2014: 2).

The government also introduced a number of redistributive social policies such as the Juancito Pinto program that gives small transfers of money to poor families who in exchange are expected to send their children to school, the Dignity rent to old people, subsidies to poor families, policies of alphabetization, education, health and land reform (Stefanoni, 2012: 58-61). The policies pursued by Bolivia were thus very similar to the Venezuelan development policies.

High commodity prices from 2004 and increased mineral and natural gas exports contributed to successful economic growth (World Bank, 2015: 1). Between 2004 and 2008, economic growth averaged 4.5 percent (ECLAC, 2008: 18). It is worth noting that Bolivia's

nationalizations did not lead to a crisis of production as in the case of Venezuela. Economic growth and higher tax receipts gained by the government due to the nationalization process helped finance social spending, while Bolivia was running both fiscal and current account surpluses. Bolivia's participation in the HIPC process further helped to strengthen government finances and bring down foreign debt. With growing export receipts and debt reduction through the HIPC process, the external public debt fell by more than one billion in 2007, bringing it down to around just 2.2 billion US $ (ECLAC, 2008: 121-122). At the same time, Bolivia achieved increasing levels of current account surpluses. In 2007, the current account reached more than 1.8 billion US $ and brought reserves up to more than 5.3 billion US $ (Ibid.: 127). Thus, Bolivia's external balances were quite strong when the international financial crisis broke out in 2008. This helped Bolivia gain more control over its financial situation than in Venezuela's case. Arguably, Bolivia was pursuing a prudent anti-cyclical fiscal and monetary policy, although high commodity prices had pro-cyclical effects on the economy as a whole. Growing fiscal revenues helped the state to pursue a policy of increasing public investments and to finance growing social expenditures (Ibid.: 125) and helped to gradually reduce poverty and economic inequality. According to the World Bank (2015: 1), moderate poverty was reduced to 45 percent of the population in 2011 from 63 percent in 2002, while the Gini index fell from 0.60 in 2002 to 0.49 in 2013 showing a substantial reduction in poverty and economic inequality, although both figures remained high.

The Bolivian government saw further industrialization as a desirable goal for the country. In practice, however, the Bolivian development model and policy continued giving priority to extractive industries and a strengthened state presence in extractive industries.

Bolivia's development was to a very significant extent based on the exploitation of natural resources in the energy sector, the mining sector and the agricultural sector where soy production and exports stood out (Stefanoni, 2012). Bolivia's export profile was thus similar to Venezuela's in the sense that it was highly concentrated in commodity sectors, though it was different in the sense that it is more diversified than Venezuela's where oil makes up more than 90 percent. In Bolivia, gas is the dominant export good but makes up around 50 percent of total exports.

Another major difference was in the trade with China, where, as we have seen, Venezuela's bilateral trade had increased strongly by 2009 as the two countries were deepening relations through the "oil for credits" agreement in 2007 as well as through a large number of other agreements. Gas is not as readily exported to distant parts as is the case with

oil, and for Bolivia, China remained a very small export partner in 2009, though it moved from the 18th rank in 2000 to 8th in 2009. China went from being the 7th biggest source of imports in 2000 to the 6th biggest in 2009 (Dussel Peters, 2011: 94). Thus economic relations between the two countries remained weak and China had very little impact on Bolivian economic development except for in an indirect way through China's significant contribution to the vibrant international economic context of rising commodity prices. These, however, were affected negatively by the loss of momentum in the developed countries with the beginning of a financial crisis in the United States in 2007 that developed into the international financial crisis of 2008 (ECLAC, 2008).

Bolivia and Venezuela's Development and China's Impact after 2008

Venezuela faced a difficult external scenario for its development after the outbreak of the international financial crisis and the consequent steep fall in oil prices. Venezuelan exports and government revenues were heavily dependent on oil revenues. But, a significant share of PDVSA export earnings was passed on to FONDEN, the Venezuelan fund for economic and social development. At the same time, oil production fell during the Chávez years. Underinvestment in oil drilling during the Chávez was in part due to the drainage of funds from PDVSA. In spite of this, exports were increasingly dominated by oil with a consequent growing oil dependency of the Venezuelan model of development (Giacalone and Briceño Ruiz, 2013: 79-80; Buxton, 2009: 171). Policies prohibiting certain agricultural exports as part of the government's food security strategy also contributed to growing dependency on oil exports (Giacalone and Briceño Ruiz, 2013: 79) as did the overvalued national currency.

In 2009, Venezuela experienced negative economic growth of 3.3 percent (ECLAC, 2010: 65), and in 2010, negative economic growth of 1.5 percent (ECLAC, 2015: 59). There was a fall in exports and private consumption and a fall in oil production as well as electricity generation. This development led to restrictions in electricity consumption for the manufacturing sector in the second semester of 2009 (ECLAC, 2010: 65). At the same time, Venezuela experienced negative inflows of foreign direct investments and, in spite of a strongly positive current account balance, the country posted a negative balance on the capital and financial accounts provoking a negative overall balance of payments. To top it off, Venezuela experienced difficulties in providing US dollars to pay its import necessities (ECLAC, 2010: 64-65). The level of gross international reserves (including gold) fell from the record level of more than US $ 43 billion in 2008 to just below US $28 billion in 2010,

while gross external debt rose dramatically to above US $ 97 billion (ECLAC, 2015: 75). Thus, Venezuela's external financial solvency was under pressure as was its capacity to invest in the strategically important oil sector.

Venezuela's attempt at moving towards a socialist-like economy, which is evident in the government's national development strategy 2007-2013 (Venezuelan government, 2007) where new forms of organization of productive activities, e.g. cooperatives, and growing state control of strategic economic sectors, faced major challenges. It scared foreign investors away from Venezuela and hampered Venezuela's relationship to international financial markets. Nationalizations went on moving from one sector to another, leading to very low foreign investor interest in investing in Venezuela. This made it ever more interesting for Venezuela to strengthen bilateral economic ties with China further. This was also of interest to the government from a geopolitical perspective, as the government had the ambition to contribute to a multipolar ordering of the world. This was clearly mirrored in the proliferation of economic agreements. Oil supply agreements led to daily exports of 350,000 barrels of crude oil and derivatives by 2012, while Venezuela celebrated agreements on access to Chinese capital goods and supply services in the oil sector. Also, a joint venture in oil refining capacity was created between PDVSA and the Chinese-owned oil company SINOPEC, and the two countries pursued cooperation on offshore oil platforms and offshore gas exploration. The joint oil fund established in 2007 was enlarged in 2009 from US $ 6 billion to US $ 12 billion with a two thirds contribution from the Chinese Development Bank (CDB), and a new agreement was made on a further loan from CDB in 2010 of up to US $ 10 billion as well as 70 billion Renminbi, the Chinese currency (Giacalone and Briceño Ruiz, 2013: 85-89). It is clear that Venezuela was increasingly taking advantage of China's global strategy to find an alternative provider of finance and technology. China was becoming a key provider of financing for Venezuela that had a complicated relationship with international financial markets on account of its development strategy and the confrontational diplomatic style of the president. In 2008, the "sovereign risk" of the Venezuelan government skyrocketed to 3,218 points after having been just 129 points in 2006 (ECLAC, 2015: 73).

From the perspective of China, closer bilateral economic ties were part of China's growing interest not only in importing oil from Latin America but also of "providing financing and technical capacity in other sectors in the region" in order to pursue further internationalization and diversification of Chinese businesses and their activities, i.e. the Chinese "going out" strategy. Latin America was becoming of greater interest to China in this

respect, as well (OECD, 2015: 149). When it comes to Chinese lending to Latin America, there has been an exponential increase in this since its beginning in 2005. As Venezuela has faced growing difficulties achieving financing in international finance markets (ECLAC, 2015: 73), the country has become the biggest receptor of Chinese loans by far. It has received 52 percent of total loans to Latin America expended by Chinese policy banks until 2015. This corresponds to a sum of 65 billion US $ (Gallagher and Myers, 2016).

The financial and developmental difficulties experienced by Venezuela in 2009 and 2010 became less restrictive in 2011 and 2012, where Venezuela, helped by rising oil prices and growing investments in the oil sector, achieved economic growth of 4.2 percent and 5.6 percent, respectively (ECLAC, 2015: 59). The global economic context for Venezuelan development had improved to the extent that Venezuela in 2012 experienced record levels in its "terms of trade" for goods, even when compared to the boom years prior to the international financial crisis (Ibid.: 69). These developments in the global context led to falling "sovereign risk" premiums in international markets, but these still remained relatively high at 647 points in 2012. Venezuela thus continued facing huge difficulties in terms of foreign creditworthiness. It seems evident that Venezuela's implementation of a socialist development strategy and the political confrontation with domestic and foreign elite interests led to the huge rise in the "sovereign risk" in 2008. After 2012, the risk premiums skyrocketed to more than 3000 points in response to very negative economic developments (Ibid.: 73).

In 2013, crude oil production again fell a bit. At this point, almost a third of Venezuelan oil exports were used to pay off debt to China and to export to Cuba and other countries in the region, members of ALBA and of the Venezuelan initiated Petrocaribe Initiative (ECLAC, 2014) in exchange for food and services. These two initiatives and cooperation agreements formed part of the Venezuelan government's solidarity-oriented regional policies that, in turn, were part of its overall geopolitical and regional alliance strategy. These figures suggest that Venezuela lost credibility in its traditional markets in the Western world after the introduction of the agenda associated with "21st Century Socialism" that followed on the re-election of Chávez in December 2006.

Venezuela has gradually lost control of its economic situation in recent years. Negative developments were already evident in 2013 (the year Chávez died) but became especially acute in 2015, where international oil prices fell by 45 percent (World Bank, 2016: 102). The deep drop in oil prices down to below US $ 40 a barrel in 2015 was a consequence not only of

"softening" demand and reduced dynamism of the Chinese economy, but also of growing global oil supply, softening global oil demand and high stocks of oil in OECD countries (Ibid.: 14). As a consequence, GDP fell even more sharply in 2015 than in 2014 (ECLAC, 2015: 59) with severe consequences for fiscal and external balances.

It seems that the confrontational style used by the *Chavistas* and Chávez himself on the domestic political scene and on the international political scene has played an important role in this. Also the nationalization policy and Venezuela's drive towards a socialist model of development and the country's overdependence on oil have contributed to the negative outcome as has a very ambitious agenda of oil-financed diplomatic activism in the region. The reciprocal relationship between these domestic and international political and economic factors has provoked a negative spiral in Venezuelan social and economic development in spite of an ever closer economic relationship with China.

The extreme dependency on oil exports and the weak performance in oil production, as well as a weak productive performance in agriculture and manufacturing, created a situation of increasing financial fragility of the development model. China's massive lending to and collaboration with Venezuela in the oil sector and in other sectors, though helpful, have not been enough to ensure new dynamism in the economy. And since loans have to be paid back, costs for this have grown leading to growing dependency on Chinese lending. The Venezuelan economy has gradually been weakened to the point that the population now faces massive scarcity problems for much of its basic consumption, and this highly negative developmental outcome has led to a major strengthening of the political opposition in the Venezuelan parliament (Economist, January 9, 2016).

There is a growing criticism inside Venezuela of its relations with China. Critics find that there is a lack of transparency regarding the use of Chinese loans as well as a more general lack of transparency in the use of off-budgetary funds in the national development fond FONDEN that has received huge amounts of Venezuela's oil incomes and loans from China. Growing dependency on Chinese loans is also seen as a threat to sovereignty (see e.g. Pérez Flores & Jatobá in this special issue).

Though, arguably, China can be seen as having contributed substantially to the stabilization of the Venezuelan economy after the financial crisis, recent developments show that the Venezuelan government has lost control of the economy. Similarly, Venezuela's high degree of dependency on oil exports has again proved to be a risky model due to volatile oil

and commodity prices in international markets, where developments in Chinese demand is only one amongst many factors (see e.g. World Bank, 2016). As in previous situations, such as the early 1980s, the late 1990s and early 2000s, and the period following the international financial crisis in the late 2000s, volatile oil prices in the current period have contributed significantly to the current economic crisis in Venezuela.

China, on its part, seeks to maintain a positive relationship with Venezuela and Latin America as a whole. In early 2015, in a meeting between China and CELAC with the participation of China's President Xi Jinping and all Latin American presidents, China made promises of huge foreign direct investments and lending over the coming decade (Gillespie, 2016) and Venezuela has received big sums of Chinese financing in 2015 (Gallagher and Myers, 2016). Nevertheless, in the case of Venezuela, challenges to its economic stabilization and future development are huge and collaboration with China will not suffice to turn around the situation. Future developments will depend both on domestic politics, development strategies and foreign policy orientation as well as on developments in the global market. China has become an important ally in international politics and an important economic partner for Venezuela, but it is not clear how this relationship will develop in the future, where we may witness a change in government in Venezuela and perhaps a new direction in Venezuelan foreign policy as well as in its development strategies. China's willingness to lend to Venezuela also has limits and cannot work as a substitute for Venezuelan efforts to get the economy under control.

We now turn to the Bolivian case, which contrasts significantly with the Venezuelan case, although Bolivia faced similar challenges from the side of the global economic context. However, Bolivia's development paths diverged from the tendencies in Venezuela in this period assuring a much more successful outcome for Bolivia than what we have seen in the Venezuelan case.

Bolivia was able to maintain 3.4 percent GDP growth in 2009 down from 6.1 percent in 2008, in spite of a major fall in export receipts in 2009. Nevertheless, Bolivia maintained a small trade surplus in 2009 and a current account surplus of US $ 813 million that was helped along by incomes from remittances. As a consequence, Bolivia's reserves kept rising (ECLAC, 2010: 82) contrary to what we saw in Venezuela's case. Also in contrast to Venezuela, Bolivia has been able to maintain relatively stable economic growth since 2009 with annual economic growth figures between 4.1 percent in 2010 and a record of 6.8 percent

in 2013. In 2014 economic growth was kept at around 4.5 percent (ECLAC, 2015: 59) and in 2015 growth was around 4.8 percent (Vergara, 2016) in spite of steep falls in export prices.

These results were achieved in a context of political polarization inside Bolivia, diplomatic confrontation with the United States and the continuity of the implementation of a state-led economy and active social policies. In other words, there are strong similarities between the Bolivian and the Venezuelan development projects.

However, Bolivia pursued a macroeconomic policy that was more attentive to assuring positive fiscal and external balances than in Venezuela's case. Cooperation with the international creditor community in the HIPC process was also helpful towards creating a stronger and more stable financial foundation for the stability of the economy and for continued economic growth.

The bilateral economic relationship with China saw significant developments between 2008 and 2016, but Bolivia came to depend much less on Chinese financing than Venezuela. Between 2009 and 2015, Bolivia has received total loans from Chinese public banks of US $ 1.6 billion. More than half of this sum corresponds to 2015, where the external economic context for Bolivian development became particularly challenging. Faced with the challenging global context, Bolivia turned to China as a preferential source of financing and FDI thus taking advantage of China's interest in strengthening its position in the region. In October 2015, China-Bolivia economic relations underwent a significant development after the Bolivian government and China agreed on a major expansion of Chinese funding for Bolivian development projects planned for the 2016-2020 period in the government's national development plan (Ellis, 2016).

In the following, I expand on this short introduction to Bolivia's economic development and China's impact on it from 2008 to 2016.

Economic growth in 2008 and 2009 happened in a challenging external economic context and in an equally challenging domestic and international political context as discussed earlier. After the introduction of nationalizations from 2006 and a pro-poor growth policy, the government set in motion a process of constitutional reform aimed at a re-foundation of the state and its relationship to society. Big part of the government's constituencies, including indigenous groups, was demanding this reform. After a process of deliberations of a Constituent Assembly from July 2006, a new constitution was voted through with 61 percent of the vote in January 2009 and, at the end of the year, Morales was re-elected as president and MAS won two thirds of the seats in the Plurinational Legislative assembly. Though, there

was strong electoral support for a constitutional reform that gave more rights to indigenous groups and introduced a dual juridical system that included traditional indigenous legal concepts, the political process that led to this result was tense and highly polarized. The most economically advanced regions were led by forces from the elite which resisted the reform process and sought to achieve regional autonomy (Wolff, 2011: 5-8). As discussed earlier, this led to diplomatic tensions and mutual sanctions between Bolivia and the United States on the external political front. When Barack Obama became president in 2009 he maintained the trade policy introduced by the Bush government in 2008. Thus he did not give back Bolivia the trade preferences that they had formerly enjoyed with the United States (Ibid.: 10).

Nevertheless, as mentioned above, Bolivia maintained a strong domestic and external financial situation in this context in 2009, where the country also received its first two loans from Chinese public sector banks that are influenced by official Chinese policy precepts. One loan was given to be spent on technical equipment in the oil and gas sectors, while the second was given to the development of satellites (Gallagher and Myers, 2016) in cooperation with China. The loans were relatively modest, though, with a total of a little more than US $ 300 million. This focus on high-tech cooperation between the two countries has continued since then.

As Bolivia's terms of trade started improving again towards the end of 2009, the country experienced new economic dynamism, and, as before the crisis, based on solid fiscal and current account results that strengthened the economic buffers of the country. At the same time, the government continued its policy of active state intervention and significant public investments based on growing fiscal incomes. The global external economic context was increasingly benign from the perspective of Bolivia's "terms of trade" that topped in 2012 (ECLAC, 2015: 69). High prices and income from gas and mining exports and public investments in construction, manufacturing, finance, transport and telecommunications (World Bank, 2014) helped assure economic growth of 4.1, 5.2 and 5.2 percent in the 2010-2012 period (ECLAC, 2015: 59). Exports predominantly went to Brazil and Argentina as they cooperated with Bolivia in the energy sector (World Bank, 2014). In 2014, Brazil was the biggest export destination with Bolivian exports above US $ 3.8 billion out of a total of US $ 12.9 billion. Argentina rated second with US $ 2.5 billion and the US third with US $ 2 billion, while China came in seventh at US $434 million, following Colombia, Peru and South Korea. However, China had become Bolivia's biggest source of imports that totaled above US $ 1.8 billion (Globaledge, 2014).

Bolivian exports were dominated by the gas/energy sector, mining and soy or, in other words, were based on natural resources, as in the case of Venezuela, but were somewhat more diversified from a sector point of view. Mining output was becoming increasingly significant with a doubling between 2006 and 2014, in part due to foreign investments (World Bank, 2014). As in the case of Venezuela, Bolivia pursued a policy of export restraints in the agricultural sector, on food staples, in order to keep food prices under control (Sakho and Calvo-Gonzalez, 2008: 4). With regard to the manufacturing sector, the aim of the government was to assure a strategy of diversification within this sector and a major jump in industrial development (Stefanoni, 2012: 53). However, a relatively strong national currency, extensive smuggling and cheap imports from China, amongst other things, created big challenges in Bolivia's textile and clothing sector and in the shoemaking sector (Washington Post, 2012). This accounts for the continued high rate in informal sector participation of the urban workforce. According to the World Bank, this rate was still at 59 percent in 2014 (World Bank, 2014).

To some extent, it could be argued that this is a consequence of the model of development itself with its emphasis on the exploitation of natural resources and a tendency of an overvalued exchange rate. On the other hand, the challenges for successful economic diversification were enormous for Bolivia when Morales took over government power in 2006. The focus of the government has been to create solid macroeconomic foundations for the economy and to assure socially inclusive growth. In this aspect, the strategy of the government has been successful. Also, Bolivia has had success achieving growing production in its dominant export sectors, contrary to Venezuela. This arguably has contributed towards social developments towards the aims of Bolivia's so-called "living well" philosophy which the government sees as underpinning the Bolivia model of development, based on deep indigenous civilizational roots. Evo Morales recently argued that Bolivia has achieved "considerable progress in exploring a developmental path suited to" Bolivia's multi-ethnic conditions, with respect for cultural diversity and seeking to assure a development in harmony with nature (Chalup Liendo, 2015). While social advances suggest that there is some reason in this, it is noteworthy from an environmental sustainability perspective that Bolivia's development model is based so strongly on traditional energy resources and mining which are often harmful to environmental sustainability. However, Bolivia's social and economic development depends on these sectors.

Bolivia's diplomatic engagement with China at the presidential level seems to have increased after 2011, when Morales made his second official visit to Beijing five years after the first official visit right after having come to power in 2006. In 2015, Morales made his fifth official visit to China (Chalup Liendo, 2015). In the meantime, bilateral economic relations had developed significantly. During an official state visit to Beijing in December 2013, Morales expressed to Chinese President Xi Jinping the desire to promote friendly relations. Their dialogue had a strong focus on bilateral economic cooperation. Morales expressed an interest in Bolivia receiving more FDI from China promising a good business climate for Chinese investors. The two presidents agreed to promote balanced trade (a touchy issue on the Bolivian side due to China's large surpluses) and cooperation in various sectors including energy, minerals, agriculture, infrastructure, technology, airspace and finance (Qing, 2013). In fact, there has been growing bilateral economic interaction in these sectors in recent years. China takes the role of the advanced capital exporting country and Bolivia takes on the role of the developing country specialized in natural resources and desirous of technological and capital infusions from China. For instance, Bolivia has sought and received cooperation with Chinese companies in the lithium industry. Bolivia initially wished to develop its own capacity in this significant area, but realized the need for foreign technological expertise. In an article, Linehan mentions that Japanese investors were concerned about the business climate for foreign investors in Bolivia, but Chinese businesses seemed more open (Linehan, 2013). In recent years, Chinese foreign private investments have grown in Bolivia (Chalup Liendo, 2015) and Bolivia has received loans from Chinese public sector banks for investments in energy, development of a satellite capacity in Bolivia and in infrastructural development (Gallagher and Myers, 2016). The tendency is that Chinese public and private investments often have a strong technological component, thus contributing to Bolivia's industrialization and diversification in relatively technologically advanced sectors.

Between 2012 and 2015, Bolivia's terms of trade and export prices worsened, while Bolivia managed to increase export volumes (ECLAC, 2015: 68-69). However, the worsening of the external market context was so severe that it provoked a significant worsening in the current account in 2015 expected by ECLAC to end the year on minus US $ 2.5 billion (ECLAC, 2015: 66), and Bolivia ran a fiscal deficit of 6.6 percent over the year of 2015 (Vergara, 2016). In spite of falling reserves in 2015, Bolivia's risk rating fell below the levels of 2013 and 2014 (ECLAC, 2015: 73). These results stand out when compared to the negative development of Venezuela's economic growth and macroeconomic balances between 2013

and 2016, although Bolivia is now experiencing twin fiscal and external deficits. The difference is that Bolivia has built up buffers that so far have been sufficient to assure a capacity to pursue countercyclical fiscal and monetary policies. The World Bank points out (2016, 109) that only very few countries, including Chile and Peru, had the capacity to pursue anti-cyclical fiscal policies in 2015. It should be noted here that Bolivia has done the same. This is significant as it shows that a country like Bolivia, which has pursued an anti-neoliberal and highly interventionist and active state involvement in the economy, has been able to implement counter-cyclical fiscal and monetary policies in the current difficult global economic context for countries specializing in commodity exports. Bolivia's macro-economic moderation and building up of reserves, its production oriented development strategy as well as its successful economic growth path has helped create this capacity. In 2013 and 2014, the Bolivian government increased public investments significantly (ECLAC, 2015a: 2). In 2014, the government was very active on the side of industrial policies implementing the Investment Promotion Act in April and the Mining and Metallurgy Act in May. In 2013, industrialization policies included projects in the hydrocarbons sector and the lithium industrialization project (ECLAC, 2015a: 3).

China is an increasingly important economic partner for Bolivia in the government's policy that aims at continued economic pro-poor growth based on active industrial policies and a focus on the development of production capacity. At the same time, Chinese imports also challenge Bolivian industrial development in some work-intensive sectors, such as clothing and shoes, complicating the government's ambition to diversify the industrial sector and providing much needed formal sector jobs for a population that in spite of significant progress in reducing poverty and economic inequality still has vast poor groups and faces limited options in the labor market. The current negative global context that is particularly difficult for countries specializing in commodity exports (World Bank, 2016) makes the Bolivian government's development ambitions all the more challenging. China may turn out to become an increasingly important partner for the Bolivian government to achieve these ambitions based on a nationalist, socialist-inspired interventionist state-led development path based on a broad political mandate.

Conclusion

This comparative analysis of Venezuela's and Bolivia's economic development and China's impact on it in the period from the beginning of the 21st Century has taken a historical path

dependency and international political economy approach. It has sought to identify key causal links and patterns in the interaction of domestic and international economic and political processes in different historical periods and to consider China's impact on the development of the two countries in the recent past.

The study is in no way exhaustive and conclusive, but seeks to provide a plausible interpretation of the object of study with the use of the theoretical and methodological tools mentioned.

The historical background analysis prior to the 21st Century showed that both Venezuela and Bolivia experienced severe economic dislocations due to "volatility" in international financial markets and in their terms of trade, e.g. in the early 1980s and in the late 1990s and early 2000s. In these instances, volatile conditions in international markets led to severe economic dislocations and to changes in development strategies. In the last instance, both Venezuela and Bolivia turned against neoliberal economic development strategies.

By way of conclusion, it is particularly noteworthy to consider the diverging economic development paths of Venezuela and Bolivia after the outbreak of the international financial crisis in 2008 after both countries had embarked on an ambitious agenda of economic transformation, based on a state-led economy with strong state intervention and pro-poor redistributive and social policies inspired explicitly by socialist ideas and a criticism of neoliberal economic development doctrine. Both countries furthermore pursued anti-hegemonic and anti-American foreign policies and collaborative ties with regional partners as well as alliances with untraditional extra-regional partners such as China.

Historically, bilateral ties had been rather unimportant to the economic development of both countries. This started to change after the early 2000s, although China remained quite insignificant for Bolivia until 2008 with the exception of China's indirect impact on commodity prices in the international market. The positive development in the terms of trade for countries specializing in commodity production and exports helped both countries to achieve stronger economic growth results between 2003 and 2008.

However, Venezuela was less well prepared than Bolivia for the worsening terms of trade provoked by the outbreak of an international financial crisis in 2008. Venezuela was in the middle of an ambitious process of nationalizations of foreign-owned companies in a number of economic sectors when they were hit by the effects of the international financial crisis but had not built up sufficient economic buffers to withstand the worsening conditions, whereas Bolivia had managed to get its foreign debt and state finances under control prior to

2008. As a consequence, Venezuela's foreign debt virtually exploded between 2008 and 2010, while Venezuela faced falling GDP, falling export revenues and weakened fiscal revenues that depended on oil income. In contrast to this, Bolivia managed to maintain economic growth and solid fiscal and external balances. Furthermore, Bolivia was more successful in terms of increasing and diversifying production in energy and mining, while oil production in Venezuela was stagnant. In this context, China became an increasingly significant alternative source of financing and technical and logistical support for Venezuela. Bolivia started receiving their first loans from Chinese policy banks in 2009, but at a very modest level as Bolivia was more able to finance its own development than Venezuela.

After 2009, Bolivia maintained high annual growth figures and maintained solid fiscal and current account surpluses thereby building up financial buffers. Venezuela, on the other hand, faced increasing economic difficulties from 2013 and experienced negative economic growth in 2014 and 2015. It is now experiencing a chaotic economic and political situation. Worsened terms of trade, a weak financial situation and a high reliance on oil exports and prices were at the root of these problems. Similarly, a growing portion of Venezuela's stagnant oil production was going towards paying off on loans, while another part went towards untraditional arrangements within ALBA where Venezuela traded oil for services in the health and education sectors in Venezuela. This reduced export incomes available to the state and to the stabilization of Venezuela's finances. During this difficult period, China has provided increasing funding and investments in Venezuela, but this has not sufficed to get the situation under control.

Bolivia has not been immune to the worsening in its terms of trade associated with falling commodity prices. In 2015, the country ran a massive fiscal deficit and saw their international reserves fall. However, the accumulation of financial buffers in earlier years allowed Bolivia to maintain macroeconomic stability and economic growth. After 2009, economic relations with China have also grown, particularly in terms of growing imports from China but also in terms of Chinese financing of development projects in a number of advanced economic sectors where China holds technological expertise as well. This tendency was further strengthened in 2015 where China promised significant funding for a number of development projects promoted by the Bolivian government. At the present time, China has gained an increasingly central role as a provider of financing and technical expertise as in the case of Venezuela.

China's economic impact on the two countries has become increasingly significant since the early 2000s, although it was not until after 2009 that this happened in Bolivia. In the case of Venezuela, however, Chinese lending was not enough to help stabilize Venezuela's economy and assure a successful development trajectory. In Bolivia's case, the more prudent macroeconomic policy stance and more successful development in production was central to Bolivia's continuous economic growth since 2004. Recent rises in Chinese lending and project funding has helped Bolivia maintain economic growth, although low commodity prices do pose a challenge for Bolivia's future economic stability and growth.

Bolivia's more moderate and careful macroeconomic policy in contrast with the Venezuelan macro-economic policy that seemed to be based on the assumption of continued high oil prices is a major difference that helps explain the different outcomes. Also, Bolivia's more successful production and investment-oriented policies help explain the difference. Venezuela could have fared better if a larger part of the windfall incomes from oil exports had been used to get the financial foundations stabilized further than what was achieved by 2008.

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